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DE RUEHBR #1553/01 3390944
ZNR UUUUU ZZH
R 040944Z DEC 08
FM AMEMBASSY BRASILIA
TO RUEHC/SECSTATE WASHDC 3014
INFO RUEHSO/AMCONSUL SAO PAULO 3144
RUEHRG/AMCONSUL RECIFE 8768
RUEHRI/AMCONSUL RIO DE JANEIRO 6945
RUEHBU/AMEMBASSY BUENOS AIRES 5950
RUEHAC/AMEMBASSY ASUNCION 7229
RUEHMN/AMEMBASSY MONTEVIDEO 7601
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RUEHLP/AMEMBASSY LA PAZ 6708
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E.O. 12958: N/A
TAGS: [ECON](#) [EFIN](#) [EINV](#) [ETRD](#) [EAGR](#) [BR](#)
SUBJECT: BRAZIL'S BIOFUELS CONFERENCE - MANDATES NEEDED,
CERTIFICATION'S COMPLICATED, AND DEVELOPING NATIONS WANT IN

REF: Brasilia 1393

11. SUMMARY: The International Biofuels Conference hosted by the Brazilian government in Sao Paulo from November 17-21, may have changed the focus of the international debate over biofuels. Despite some criticisms of U.S. corn-based ethanol and tariffs, the participants from over 90 countries overwhelmingly were supportive of biofuels. There was significant discussion about the benefits of biofuels on economic development, the environment and energy. The discussions began with three days of panels made up of largely non-governmental experts examining the questions of energy security, sustainability, climate change, innovation, and trade, and were followed by two days of high-level government meetings, in which the results of panel debates were presented to the assembled delegations for response. Very broadly, conclusions of the conference were that sustainability is important but how to ensure sustainability is very complicated. Although a certification scheme received support from European countries in particular, while many developing countries expressed their concerns about implementation costs and the possibility that sustainability standards will create barriers to trade. Other conclusions include: government mandates are essential to the development of local biofuels industries and that biofuels present an economic development opportunity, particularly for developing countries, and are key to achieving energy diversification goals. It was the latter point which began to take on increasing momentum throughout the conference, and likely will increasingly impact the international debate moving forward.

12. There were some criticisms of the United States, both for what some participants termed the protectionism of surcharges and subsidies, as well as for the perceived shortcomings of corn-based ethanol. It should be noted that few of these attacks originated from the Government of Brazil, which was largely supportive and positive to USG goals for the conference. Brazilian ethanol received its share of barbs for what some allege is a biofuels industry that spurs deforestation while the Europeans were frequently on the defensive for lack of transparency and science-based criteria in the proposed draft European Community's directive on biofuels sustainability. END SUMMARY.

DEVELOPMENT MOVES TO THE TOP OF THE AGENDA

13. Developing nations were united in their desire to take advantage

of the economic opportunities presented by the biofuels industry. Countries such as Senegal, Tanzania, and Mozambique voiced their desire for a chance to join what Sweden called "the Green New Deal."

Many of them were critical of primarily European sustainability efforts which several speakers regarded as having the effect of excluding them from reaping the benefits, both in terms of energy security and economic growth, presented by biofuels. Developing nations expressed a concern that rich countries, under the guise of sustainability, will prevent them from exporting higher value added products, pointing out that European agricultural exports of soy or sugar, feedstock for biofuels, have no such sustainability criteria.

A few conference observers noted that this dynamic seems to have set the Europeans somewhat on the defensive, though Europeans insisted that these measures are necessary to ensure continued consumer confidence and demand for biofuels. The Brazilian government had aggressively worked to ensure the participation of developing nations and paid for the travel by these countries' heads of delegation. The presence of these delegations expanded the range of discussion away from land use and food for fuel controversies which had previously characterized recent debates over biofuels, to include the development opportunities for poorer nations. Several observers noted that these were impassioned voices for biofuels expansion and would be a force to be reckoned with for biofuels opponents in the future. U.S.-Brazil biofuels cooperation with nine developing countries proved a positive example of North-South and South-South cooperation, sparking additional developing countries' interest, and an issue where Europe was, again, defensive in response to calls for greater European engagement in Africa on biofuels.

SUSTAINABILITY

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14. Biofuels sustainability was perhaps the most dominant theme of the conference, even subsuming the trade panel discussion. Discussions on sustainability focused on four major themes, 1) how to best address sustainability concerns, 2) the food vs. fuel debate, 3) life cycle analysis of greenhouse gas emissions from biofuels, and 4) trade issues. Regarding how to address sustainability concerns, many groups called for sustainability certification systems, others called for mandatory sustainability criteria, while others called for voluntary science-based approaches. Delegations noted the ongoing work in the Global Bioenergy Partnership (GBEP) as well as the proposal from the International Standards Organization to develop a sustainability standard. The European representatives by and large were insistent on the need for certification regimes but were roundly criticized for the lack of science-based criteria and transparency in their own proposed regime. Proponents of certification faced criticisms over how to define the standards, who would administer, and who would pay. Other delegations raised concerns that sustainability not be used as a means to slow the biofuels market and limit a tool to create economic development. While no consensus was reached as to the best way to address sustainability, it was an important step for this conference to recognize the importance of taking action. There were still some remnants of the food versus fuel debate, particularly among some panelists, though with a notably decreased degree of volubility. The Food and Agriculture Organization representative, for instance, confined himself to discussion of addressing hunger through investment in rural infrastructure which could be part of the biofuels industry development as well. Venezuela distinguished between biofuels produced by small farmers (good) and those produced by large companies (bad). The Head of the U.S. delegation, Secretary of Agriculture Ed Schafer, noted the belief that biofuels are responsible for large impacts on food prices is a largely "discredited notion." The third major theme, life cycle analysis, was also hotly debated. Many countries pointed out that other energy sources (such as oil) were not subject to life cycle analysis but should be. Land use analysis, direct and indirect, was characterized as important but problematic, particularly indirect land use change. No real consensus was reached regarding how to best address indirect land use. The U.S. rulemaking process attempting to define how to address indirect land use received surprisingly little attention. Brazil, in defending

against deforestation allegations, announced it is near completing its ecological zoning plan which will feature three zones: areas considered prime for sugarcane cultivation, areas in which cultivation is permissible with some restrictions, and restricted areas where sugarcane may not be grown, including the environmentally sensitive regions of the Amazon and Pantanal.

15. Trade underpinned all of the topics, with many countries raising concerns that sustainability criteria, particularly those being developed by Europe, could have a negative impact on biofuels trade and also set a negative precedent for trade in other goods. Cuba also noted its opposition to U.S. mandates and tariffs which resulted in food stocks being used as a fuel source. However, Cuba did not repeat its previous attacks on biofuels in general and even offered to help with capacity building, pointing to its success in capacity building in the medical field.

SURCHARGES/TARIFFS/SUBSIDIES

16. Surcharges and tariffs as well as subsidies came under heavy criticism for what several speakers termed their protectionist and/or trade distorting results, with many African countries stressing the need for the free flow of products from drought-resistant crops. Most prominently Sao Paulo State Governor Jose Serra (see Sao Paulo septel for more information on Serra's remarks) in both his opening and closing remarks, which immediately preceded President Lula's closing remarks, singled out U.S. policies for particular criticism. During his introduction of President Lula, he went so far as to compare U.S. trade policy to a Chilean priest who "preaches a lot but does not practice what he preaches," stating that the U.S. message of free trade is inconsistent with a closed market to Brazilian ethanol. (Note: Brazilian officials

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privately apologized to U.S. delegation members for these remarks). Other speakers such as the representative from Chile were more broad-based in their remarks, calling for free trade and an end to subsidies in biofuels. The Italian Energy Minister called for biofuels to be an environmental commodity in the WTO and suggested that biofuels sustainability criteria should be considered in the WTO rules.

FINANCIAL CRISIS

17. Several speakers evoked the current financial crisis as an impetus for more, rather than less, biofuels development. The potential for biofuels to serve as an engine of economic growth, as well as to offer a diversified energy matrix immediately following the recent period of highly escalated oil prices, was on display as benefits the biofuels industry could bring to help alleviate the economic woes currently faced globally. Though many speakers touched on this, President Lula himself made the strongest case when he asked how anyone could erect impediments to the possibility of generating energy quickly and cleanly while creating jobs for many small farmers. He reaffirmed Brazil's commitment to bioenergy, noting that Petrobras' new assessments of Brazil's oil resources, confirmed that day, would not deter the GOB from developing biofuels even as it becomes an oil exporter in the future. He noted that biofuels held promise for more than 100 countries and said that, as a country with over 30 years of experience, Brazil was ready to enter into dialogue with any country looking to promote sustainable biofuels development. He said no critics had managed to provide another viable solution to helping do what biofuels can do both in diversifying energy sources and creating economic development. Lula called for the conclusion of the Doha development round and the abolition of trade barriers as other important ways of addressing the financial crisis. (Note: In a brief bilateral meeting with Secretary Schafer, Foreign Minister Amorim also pressed for the Bush administration to push to conclude Doha for the same reason.)

GOVERNMENT ACTIONS NEEDED

18. If there was one element of the conference in which there was near virtual agreement, it was the need for government mandates for

blending biofuels to help the biofuels industry flourish. It was also stressed that governments must not create impediments to trade and that they should create incentives for next generation biofuels development. Several noted that without the assurance of a prospective market, companies would not produce. Many further reinforced the need for development assistance and technology transfer to developing countries to allow them to take part in this promising new field.

U.S. INTERVENTIONS

¶9. The U.S. delegation made interventions in the plenary session on sustainability and during the high level government sessions on energy security, sustainability, innovation and trade. During the plenary on sustainability, State Department Principal Deputy Assistant Secretary Reno Harnish expressed the U.S. commitment to sustainable biofuels production, U.S. desire for science-based sustainability criteria, transparency in processes and rule-making, and U.S. support for sustainability work being undertaken by the GBEP, which met in working groups on the margins of the meeting (results of which will be reported septel). Agriculture Secretary Ed Schafer intervened to cite the U.S. Energy Independence Security Act as evidence of U.S. commitment to sustainable biofuels development and cited the promise of next generation biofuels at even further reducing green house gas emissions. He also heralded the U.S.-Brazil bilateral cooperation through which we are assisting nine developing countries to develop their biofuels industry. He concluded that comparisons between biofuels feedstocks was not the important point, rather the fact that environmentally both corn and sugar based ethanol are improvements over oil as a fuel source. Dr. Helena Chum of NREL, during the innovation panel, positively summarized the work of the U.S. R&D biomass board that works across

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the whole supply chain, and cross-sectorally, to integrate biofuels and innovation in our market.

¶10. COMMENT: Post had previously assessed that Brazil's goal in hosting this conference was to use the event as a vehicle to counter some of the criticisms over biofuels and claim the mantle of global leader on the issue. While there were criticisms and Brazil strategically chose to make room for all voices in the discussion, the conference appears by and large to have met the expectations of its organizers and perhaps surprised some of its participants. Brazilian government organizers privately told members of the U.S. delegation that they wanted to open up the topic for thorough examination and debate, while destroying the myths about biofuels. As the Ministry of Foreign Relations' Under Secretary for Energy and Scientific Affairs, and primary conference organizer, Andre Amado told the delegation, "We're not afraid of the criticisms. We have a strong case and can answer every argument." He and other Brazilian officials made it plain that open debate was their goal, with the presence of developing countries to help strategically frame the debate. Based on the tenor of the conference, it seems that the debate over biofuels has moved from whether to pursue this option (due to concerns over food) to how to do it in a sustainable manner. Future discussions over the issues surrounding the biofuels industry will likely have to contend with the need to open economic development opportunities to the developing world, a need that may be at odds with draconian sustainability measures. Brazil will likely continue to encourage more countries to become biofuels producers to democratize the energy market, as well as ensure a stable global trade. END COMMENT.

SOBEL